

DEPARTMENT OF STATE  
THE DIRECTOR OF INTELLIGENCE AND RESEARCH  
WASHINGTON

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March 16, 1982

MEMORANDUM FOR: Mr. Henry S. Rowen  
Chairman  
National Intelligence Council

SUBJECT : Paper on East-West Economic Issues

*Henry -*

I would be very grateful for your assistance on a project of some urgency which the Secretary has requested; specifically, he has asked for an overview of the main themes of East-West economic issues, and the direction in which they are heading. Essentially, he would like to examine the following topics:

A. The extent of Eastern European financial solvency, its ability to meet both interest and debt repayment schedules, and the implications of default by any one of the countries with current problems (Poland, Hungary and Romania, for example);

B. The degree to which Western European businesses are "dependent upon" their Eastern trading partners; put another way, to what extent would a significant slackening of trade between the East and West impact upon the economies of Western Europe, Germany in particular?

C. An examination of the role of credit, and the political leverage afforded by credit; how badly does Eastern Europe need additional credits, and to what extent can their being granted or withheld be translated into political pressures on such subjects, say, as Afghanistan?

D. How effective would a joint economic policy with our Western European allies be in the full panoply of relations with Eastern Europe? Should we attempt to introduce the shadings of differentiation into such discussions, and if so, to what end?

These points represent a tall order, and I realize that it will not be possible to do much more than an overall look-see at the basic issues and related considerations, but I would like to have something in hand for the Secretary no later than mid-April, if at all possible.

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-2-

The thought occurs that perhaps  if his other responsibilities permit, would be an ideal choice to supervise the preparation of such a paper, knowing that any product under his imprimatur would be a masterful effort. Would you please let me know at your convenience if you can assist with this problem, and if you require any additional input from us? Many thanks for your help and contribution on this important topic.

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Hugh Montgomery

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